

25X1 STANDARD FORM NO. 64

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Office Memorandum • UNITED STATES GOVERNMENT

DATE: 6 August 1953

25X1 TO :
THRU :
FROM :

25X1 SUBJECT: Revised Table for [] Contribution to Office Wide Project 0.12

25X1 1. Enclosed is a revised table of Estimated USSR Freight Car Inventory, 1945-1952 to be substituted for the table included in your copies of the [] contribution to 0.12.

25X1 2. These revisions are made to bring 1952 inventory into line with Soviet statement in Gudok, 2 October 1952, that "more than half the freight cars in use in the USSR are 4-axle cars." [] preliminary estimate [] indicates that in mid-1952 the inventory totaled 810,000 actual units.

25X1 3. Kindly make the necessary changes in accordance with this table, in the four copies of text sent to you.

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Estimated USSR Freight Car Inventory

1945 - 1952

<u>Dec. 31,</u>	<u>4-Axle Units</u>	<u>2-Axle Units</u>	<u>Total Actual Units</u>	<u>Total Equivalent (2-Axle)</u>
1945	176,000	445,000	621,000	797,000
1946	188,000	433,000	621,000	809,000
1947	210,000	429,000	639,000	849,000
1948	240,000	429,000	669,000	909,000
1949	280,000	435,000	715,000	995,000
1950	330,000	435,000	765,000	1,096,000
1951	380,000	427,000	807,000	1,187,000
1952	430,000	418,000	848,000	1,278,000

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SECRETESTIMATED USSR FREIGHT CAR INVENTORY

1945 - 1952

Year	4-axle units	2-axle units	total units	total equivalent (2-axle)
1945	176,000	445,000	621,000	797,000
1946	188,000	433,000	621,000	809,000
1947	210,000	429,000	639,000	849,000
1948	240,000	429,000	669,000	909,000
1949	280,000	435,000	715,000	995,000
1950	325,000	445,000	770,000	1,095,000
1951	370,000	450,000	820,000	1,190,000
-1952	415,000	450,000	865,000	1,280,000

SOURCE: ORR 32-51 and [] files.

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ESTIMATED USSR LOCOMOTIVE INVENTORY

1945 - 1952

Year	Steam	Electric	Diesel	Total
1945	25,300	245	93	25,638
1946	25,600	341	110	26,051
1947	26,200	366	150	26,716
1948	27,200	426	225	27,851
1949	28,500	536	365	29,401
1950	30,500	706	547	31,753
1951	32,000	921	755	33,676
1952	33,500	1,201	984	35,685

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SOURCE: ORR 32-51 and files.~~SECRET~~

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VI. Relationship Between Planned Increase in Transportation and in Traffic-producing Industries in the Fifth Five Year Plan

The following increases are estimated for 1950 and 1957, shown as index numbers, with 1948 equalling 100:

	1950	1957	Ratio of 1957 to 1950
Rail transportation	134	191	143
Industry (including Defense)	139	256	184
Agriculture	110	144	131

SOURCES: Rail transportation from 1950 performance and 1955 plan data.
Industry and agriculture from NIE-65.

While a weighted average of the index numbers for industry and agriculture might show a somewhat greater percentage increase between 1950 and 1957 than that for railroad transportation, the differences might be well within the margin of error of the data.

The increases in planned railroad traffic compared with planned increases in traffic-producing industries in the Fifth Five Year Plan appear to be consistent, since it is a major item of Soviet transportation policy to reduce the proportion of total traffic handled by railroads. Completion of the Volga-Don

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Canal may permit shifting to water transportation some traffic which formerly moved by rail, resulting in an increase in the proportion of total traffic moving by water by the end of the Fifth Five Year Plan.

VII. Reduction of Long Rail Hauls in the USSR

As stated earlier, the average length of freight haul by railroad in 1952 was 720 kms., compared with the planned goal of 690 kms. for 1950. The fact that this figure is still above the 1950 goal may be partly due to the necessity of moving freight for the Korean War although it appears that the 1950 plan goal was not attainable. Average length of haul declined sharply from 794 kms. in 1945 to 710 kms. in 1947, which, if projected graphically, would easily have permitted attaining the 1950 goal of 690 kms. However, in 1948 average length of haul jumped to 724 as though the 710 kms. in 1947 was too low to properly sustain the development of the Soviet economy, and from 1947 to 1952 it has fluctuated between 25X1 727 and 710 kms.

Should the length of haul continue stable as it has during the 1947-52 period, it would indicate difficulty in adequately sustaining the development of the Soviet economy with a

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significantly lower length of haul, as a result particularly of the dispersal of Soviet industry, which requires long hauls of raw materials and finished products. If, at the same time, tonnage continues to increase, the result would be increasing demand on the freight car park, which would require either increased efficiency in the utilization of the existing operable park, or an increase in the total operable park. With the continuous pressure for improvements in efficiency of use of freight cars in the post war period, it seems unlikely that further appreciable improvements in these factors can be made in the Fifth Five Year Plan period. Therefore, it will be necessary to continue to increase the operable freight car park to handle the increased ton-kms. resulting from an increase in tonnage and a stable (or perhaps increasing) average length of haul. To sustain continued growth in tonnage of rail freight under such conditions would require annual production of freight cars at approximately the same levels as at present.

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Trends in Soviet Economic Policy since 1945Project #0.12Electric PowerIntroductory

Stated in broad terms, the history of the electric power industry in the USSR since 1945 has paralleled that of all other nations in that both demand and supply have shown a continuous upward trend. While the rate of increase of demand has been greater than that of the growth of facilities to meet it, the essential needs of the industrial economy have been met.

This discrepancy in the rates of increase, which cannot be stated quantitatively at this time, simply means that the Soviet electric power industry did not have the reserve capacity contemplated by the fourth Five Year Plan for the end of the year 1950. However, this did not prevent the attainment of the Plan goal for total electric production, in fact, it was exceeded by about 10 percent.

At the mid-point of the fifth Five Year Plan it appears that the production goals are being closely approximated, even though there is some doubt as to whether the construction progress on all of the projects specifically named in the fifth Five Year Plan is fully up to schedule.

Brief Comparison of Fourth and Fifth Five Year Plans

For the electric power industry, the fourth Five Year Plan not only provided for new electric facilities, but particularly emphasized the restoration of war damaged facilities in European Russia. The 1950 target was a total generating capacity of 22.4 million kw, an increase of 109 percent during the five-year period. The

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corresponding target for the fifth Five Year Plan is of almost the same magnitude percentagewise, since the Plan provision is "To increase the Total capacity of electric stations approximately two times * and of hydro-electric stations three times."

A fulfillment of the fourth Five Year Plan capacity goal (22.4 million kw) would have meant the addition, either by rehabilitation or new construction, of 11.7 million kw of generating capacity, or an average of about 2.5 million kw per year. In the fifth Five Year Plan, the average yearly addition, for a 100 percent increase (22.4 million kw), will have to be about 4.5 million kw. These figures are developed as rough guides only, as they are theoretical to the extent that they are based on the assumption that the electric capacity goals of both Five Year Plans will reach complete fulfillment. There may have been a short-fall of possibly 10 percent in the fourth Five Year Plan, and there is no convincing evidence that the fifth Plan schedules are being fully met.

However, it is felt that the capacity target for 1955 is not beyond hope of attainment, and should it fall short by as much as 10 - 12 percent, it would still be possible to reach the production goal by such methods as longer hours of use of generating facilities, improved operating methods, and reduction of losses. It appears that the Soviets have allowed sufficient leeway between the targets for capacity and production to attain the latter even though the former may not be fully accomplished. Briefly, this statement is based on the fact that to obtain Plan production in 1955 it would be necessary to operate Plan capacity about 3600 hours per year, or slightly

* Statement is construed to mean an increase of 100 percent.

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over 40 percent of the total number of hours in a year. This is a relatively low figure in a country having a well-developed industrial economy (US in 1951 = 5,150 hrs., covering 80% of the industry) and any increase in it will result in a lower requirement for capacity.

Hydro-electric Developments

The fifth Five Year Plan provides that hydro-electric stations "be increased three times", compared to 1950. It is estimated that hydro stations, at the end of 1950, had a total capacity of 2.0-2.25 Million kw. Thus, to satisfy the Plan objective, an addition of not less than 4.0 Million KW will be required. Such an amount is detailed in the Plan, naming "The Kubyshchev station of 2.1 Million KW as the Kama, Gorky, Mingshaur, Ust-Kamenogorskaya and other stations with a total capacity of 1.916 Million KW". All of the named stations are now under construction, and although it is too early to predict their full completion by 1955 there is no convincing evidence that such a result cannot be reached.

Large hydro-electric developments make a wider appeal to regional and national pride than do steam plants of similar size, and thus lend themselves more readily to propaganda purposes. It, therefore, seems likely that special efforts will be made to complete the hydro part of the expansion program. However, it cannot be said that the steam plant program is being subordinated, as it will still represent at least 80 percent of the Plan target for electric capacity.

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SECRETChanges in Organization and Policy

In March 1953, top-level organizational changes were made in the ministries directly concerned with the electric power industry. The Ministry of Electric Power Stations, The Ministry of the Electric Industry, and The Ministry of Communications Equipment Industry were merged into one new ministry, The Ministry of Electric Power Stations and Electrical Industry, USSR. 1/ A new man, Mikhail Georgevich Pervukhin, who was formerly Minister of the Chemical Industry, was appointed to head the newly merged ministry. It should be noted that this is a reversion to the organizational structure immediately prior to World War II. During 1939 and early 1940, Electric Power Stations and Electrical Industry were under one Peoples Commissariat, which was split into two commissariats in April 1940, which were renamed as Ministries in March 1946. 2/

The March 1953 organizational change does not necessarily indicate a change in over-all policy for the industry. There is no evidence of a radical change in personnel. Zhmerin, formerly Minister of Electric Stations, remains as a Deputy in the new ministry. From any indications to 1 July 1953, it can only be conjectured that the change was made to consolidate under one head the closely related matters of the construction and operation of electric stations and the manufacture of electrical machinery and equipment. The inclusion of the Communications Equipment Industry may be due to the fact that such equipment would, in many cases, come from the same manufacturing sources and use the same basic raw materials.

The significance, political or policy-wise, of the appointment of Pervukhin is not yet apparent.

SECRETLimitations - Natural Resources and Manpower

So far as natural resources are concerned, there do not appear to be any serious limitations to the expansion of the electric power industry. Solid fuels, ranging from peat through lignite to coal of quality, are abundant and widely spread. Undeveloped hydro resources are adequate to meet the needs for the foreseeable future. Supplies of petroleum and shale oil are much more restricted, both as to quantity and location, and their use in the electric power industry will in the future, as at present, be confined to locations where they are more economical than any other fuel or where circumstances demand the use of some form of internal combustion engine (usually relatively small and isolated installations).

The labor force involved in the operation (not including construction of new facilities) of the electric power industry is universally a relatively small proportion of the total labor force, and it may be assumed that it does not constitute a limiting factor in the USSR.

With respect to a possible shortage in the higher technical skills, such as mechanical, electrical, and hydraulic engineers, which would be involved in the design, construction, and installation of new electric facilities, the Soviets have recognized the need and have taken steps to meet any such deficiency. Among such steps is the decision of the Ministry of Higher Education USSR to broaden the training programs for hydraulic engineers and technicians. Directives have been issued expanding the training programs during the 1951-55 period so as to provide for the training of 13,000 hydraulic engineers and 28,000 to 30,000 hydraulic engineering technicians. 3/

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Contribution on Telecommunications Policy Trends - Project 0.12The Soviet Economy from the End of World War II to DateSummary and Conclusions.

As a means to enhance its political, military, social, and economic power and control the Soviet hierarchy recognized the importance of telecommunications from its inception. This importance was underscored by the adverse time-space factor inherent in Soviet geography aggravated by deficiencies in physical transport. The Soviets used every conceivable device to improve its power position in the face of this adversity. It took advantage of World developments in radio to overcome economically and rapidly some of its telecommunications wireline deficiencies, though some wirelines were installed. Its backward position vis-a-vis modern western countries, revealed during World War II, came as a shock and led to a determination to catch up. The initial post-war policy emphasized restoration, expansion, and modernization. From the patterns of post-war events a number of guide policies are discerned. Re-emphasis on communication security in all its ramifications stands out as one policy pervading all aspects of telecommunications facilities and services. Procurement policy seems to dictate that the end justifies the means. Organizational policy is flexible to the extent of creating new mechanisms to solve rationally new problems involving a number of governmental segments. Emphasis seems to have been placed on a policy requiring that specialized governmental users of telecommunications facilities be provided with separate facilities and controlled by the user. This policy adheres to a basic concept that telecommunications channels must follow the chain of command and that for the efficient, effective exercise of command, the command must control

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the facilities required to exercise that command. The policy on consumers seems to be to offer service to the public generally on a secondary derived basis, that is, telecommunications facilities are provided initially and essentially for State need, but may be used for public service if, as, and when slack is available. Policy on Satellite telecommunications is seen as a requirement that telecommunications facilities needed for the effective exercise of Soviet political and military control of Satellite countries be provided for separately, guarded, operated, and used principally by the appropriate Soviet control authorities. The Soviet supervision, control, inspection, and surveillance of internal facilities and services suggest a Soviet policy of maintaining control of the exercise of power through the control of telecommunications. Finally, the pattern of Soviet expansion of facilities suggests the existence of a policy of having to justify the supply by the need in any given case. The conclusion is drawn from these perceived policy trends that the Soviet hierarchy is attempting to achieve complete, continuing, direct, rapid communication contact with all its subjected peoples while at the same time it intends to reduce if not eliminate contact with the outside world. It seeks an exclusive home audience. Its policy is to exploit its full knowledge of telecommunications technology and know-how to give power, to enhance power, and to accelerate the rate at which that power is enhanced.

I. Introduction.

Since its inception the Soviet hierarchy has been aware of the capabilities of telecommunications as a means to enhance its political, military, social, and economic power and control. Politically, telecommunications could aid in controlling and

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consolidating peoples and bend their minds and behavior toward Kremlin philosophies. Militarily, they could provide rapid means for the collection of open and closed information and for the exercise of command as well as to enlarge the effective deployment and use of weapons. Socially, telecommunications could help to satisfy the individual and group need for "belonging." Economics-wise they could facilitate and accelerate the growth and operation of industry and industrial services, but only incidentally to serve the consumer as an individual. Telecommunications could hasten coordination on all matters of state interest at focal points at all levels of the whole state monolithic structure.

Pervading the whole approach of the Soviets to the development of the state must necessarily have been the realization that telecommunications need to be employed to overcome the adverse time-space factor inherent in Soviet geography, aggravated by continuing deficiencies in physical transport.

In the interest of speed, economy, and feasibility the Soviets early applied the products of World research in radio to span distance rather than to concentrate on the wireline medium. Early Soviet policy dictated that the particular medium of transmission should be used which best suits a given set of conditions, that there is no real reason for attempting to employ either the radio medium or the wireline medium in all cases. In other words radio was to be the sole means of rapid communication in many remote areas where under normal conditions the employment of wire facilities is economically inadvisable, but elsewhere radio facilities were merely to parallel existing wired trunk lines. Eventually the Soviet Union was to become the heaviest

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user of radio for internal telecommunications purposes in the World, even though some trunk and local wireline networks had been provided and existing ones expanded.

In spite of these developments the Soviet Union came to realize during the war that it had not moved forward in this field in step with modern Western nations. Its inadequacies in productive capacity and capability, in facilities in being, in stockpiling of equipment, in trained manpower together with its huge war losses led to large Lend-Lease shipments from the United States and other allies. Soviet awareness of its wartime shortcomings leading almost to defeat, coupled to the advanced technological and productive implications visible in the Lend-Lease shipments, shocked the Soviets into a determination to catch up.

II. Basic Policy.

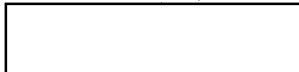
Initial basic post-World II telecommunications policy is reflected in the Fourth

Five Year Plan (1946-1950):

... "Communications, especially radio and trunk cables, shall be fully restored and developed in the formerly German-occupied regions by the introduction of up-to-date equipment. In furtherance of the general project for the development of the communications of the USSR, reliable telephone and telegraph communications shall be installed between Moscow and all republic, territorial and regional centers, and between the capitals of the republics and their regional centers. Telephones shall be installed in all district centers, village soviets, machine and tractor stations and state farms.

... "Trunk communication lines shall be equipped with modern high-frequency apparatus.... The capacity of telephone exchanges shall be increased and special attention paid to the introduction of automatic telephone exchanges.... Radio broadcasting shall be further developed... and the radio diffusion network increased.... The postal services shall be generally improved.... and motor and air transport shall be widely used for the delivery of letters and newspapers.... The production and sale of consumer goods shall be increased...."

The essentials of this policy are restoration, expansion, and modernization to take advantage of the economies of modern technologies. Subsequent events confirm that this policy indicator has been executed on a broad front, though its fulfillment has



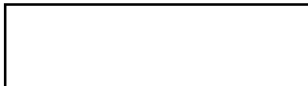
extended into the Fifth Five Year Plan (1951-1956).

Numerous subordinate guide policies associated with the administrative and operational execution of this basic policy appear to have been developed.

III. Communication Security Policy.

Secrecy seems to have been a passion with the Communists ever since they took over in Russia. This passion, vividly expressed in the "Iron Curtain" has been revealed in a number of policies intended to improve the level of secrecy. The policy of transmitting classified telephone and telegraph messages by non-interceptible wire-lines rather than by interceptible radio, emphasized just prior to World War II, has been re-emphasized since that war. The post-World War II development of a most considerable electromagnetic warfare potential, executed since 1948 as jamming against undesired foreign radio broadcasts, suggests the existence of a policy not to depend upon long-range radio for any telecommunications services that can be conducted by other means, such as wirelines and micro-wave radio (almost non-jamtable and non-interceptible). The huge expansion in the post-war period of wire-diffusion networks and group listening, coupled to a rather feeble effort to produce all-wave receivers for private use, suggest, when related to the jamming effort, that the Soviet policy is to deny contact between the Soviet peoples and the West and at the same time to improve the contact between the Soviet peoples and the Kremlin. The heavy expenditure of manpower to assure control of telecommunications facilities, to guard them, to carry out the censorship and surveillance functions, and the instillation of fear in the populace to read, listen, and talk about "anti-state" matters are further evidences

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of a policy intended to achieve complete internal communication security and external communication control.

IV. Procurement Policy.

The Soviet policy on procurement of means for carrying out the basic telecommunications policy seems to be to obtain the most, the quickest, from whatever source, under any circumstances and conditions. Some productive facilities were increased, as were imports. In the early post-war years East Germany was pilfered, and the Satellites have been and are being milked. In the interest of time and lack of know-how Western equipments are copied, and produced, Western technical literature is exploited as a ready wealth of useful data, and German and other "imported" scientists, engineers, and technicians are squeezed dry. Trained manpower is obtained by increased educational base, by importations from Satellite and other countries, and by encouraging youth, both male and female, to volunteer to assist in hastening the process.

V. Organizational Policy.

Organizational policy in the field of telecommunications is unclear. Apart from the normal Ministry of Communications and the All Union Committee for Broadcasting and Radiofication (VRK) which apparently reports to the Council of Ministers, two new titles appear in material received in 1951 and later. One is the Radio Information Committee, which could possibly be a replacement in name and/or function for the VRK. The other is the Radio-Political-Scientific Commission of two sections, the political and the technical-scientific. The stature of the representatives implies that the Commission is very high level. The name of the Commission suggests that it has to do with policy determinations on the solution of problems and/or the creation of

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programs within the limits of scientific feasibility in the field of radio propaganda, countermeasures against foreign radio propaganda (jamming), and perhaps refinements in the development of a broad electromagnetic warfare capability. The only hint of policy here is that when the Soviets reduce a problem to its coordinative organization essentials, it proceeds to create the necessary mechanism to cope with it effectively.

VI. Operational Control Policy.

Soviet policy on the operational control of telecommunications facilities and services may have undergone some revision in the post-war period. While prior to the war the Soviet Union operated so-called functional telecommunications services to meet the need of certain industries, such as shipping, aviation, broadcasting, etc. which were at least in part operated for and controlled by the user, the policy of user control seems to have been extended in the post-war era to police, mining, lumbering, fishing, agriculture, and manufacturing among other industries. There is also evidence that the user control policy has been extended to require that separate and distinct facilities and circuits be provided for the exclusive use of numerous state functions, even though such facilities and circuits parallel the existing general purpose basic system. This extended policy adheres to the fundamental dicta that communications channels must follow the chain of command and that for the efficient, effective exercise of command the command must control the facilities it requires to exercise that command.

VII. Consumer Policy.

The consumer has not been completely ignored in Soviet post-war policies. Telephone and telegraph service available to the public has been improved, but only

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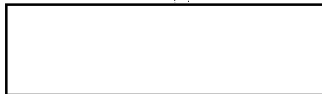
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indirectly as the result of the expansion and improvement of facilities to serve state needs. The public generally may use these services during slack periods in state demand for service, but the service obtained is generally considered to be of poorer quality. In the field of radiobroadcasting, radio receivers are manufactured and some find their way to store shelves, but the prices are beyond the reach of most consumers. Assumably this gives the consumer the illusion of state interest in the individual, but perhaps at the same time resentment at not being able to purchase. The post-war policy of the Soviet Union has been to radiofy the villages, sovkhoses, kolkhoses, mining camps, factories, machine tractor stations, etc. This is being done with some radio receivers for group listening and with very large numbers of radio diffusion networks connected to loudspeakers. Under the circumstances program selection and listening are controlled. This meets hierarchy specifications to deliver "the word" to the remote masses and perhaps at the same time gives some diversionary satisfaction to the consumer. As seems to be overriding Soviet policy in the field of telecommunications, state need and convenience come first, consumer need second, with the significant proviso that dual use, where feasible, should be provided for and practiced.

VIII. Satellite Policy.

To assure effective control of the Satellites in the Soviet interest, indications are that Soviet policy requires that key telecommunications facilities involved in exercising that control shall be provided separately for, guarded, operated, and used by the Soviet control authorities. Such facilities are used principally by

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Soviet political and military administrations of the various Satellites. This conforms to the previously stated operational control policy.

Telecommunications being an instrument of the exercise of power, Soviet policy also dictates that even internal Satellite telecommunications facilities shall be monitored, controlled, inspected, and otherwise maintained under continuing surveillance by Soviet representatives. Examples of this policy were the disconnection of the automatic telephone exchanges giving service between the East and West Zones of Berlin in May 1952, the cutting of 74 of 75 cables between the two zones on 14 May of this year, and the suspension of long distance service between East and West Germany through the Leipzig central office on 17 June of this year. West German officials believe that the Soviets blocked the latter lines temporarily for control purposes related to the current uprisings.

As to the build-up of Satellite telecommunications resources, the Kremlin policy seems to be to permit such build-up within Soviet defined limits. But the build-up must yield some direct or indirect advantage to the Soviet Union per se and not to the independent strength of the Satellite.

IX. Economic Policy.

Since the Soviets can not do all things simultaneously at all times, Soviet policy apparently provides for a yardstick in planning which telecommunications facilities shall be sequentially developed or expanded. There are instances where, for example, wireline facilities are being brought into new economic areas for the first time. But there are other areas where wireline facilities already exist and additional

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facilities are being provided. The Moscow-Leningrad high-capacity coaxial cable illustrates the latter and the installation of some 1,400 kilometers of communications cable radiating out of Karaganda to serve the strategic metal mining in the Karaganda Oblast and other parts of the Kazakh SSR illustrates provision of new wirelines. Relative strategic need seems to be the key to Soviet policy in the provision of telecommunications facilities and services.

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FOREWORD

Only major changes of Soviet policy, or shifts within the existing framework, of the subjects covered in this paper are noted. The great number of variables and the degree to which these variables might affect the subjects covered in this paper have not been analyzed or presented here at this time.

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IX. Consumers' Goods and Internal Financial Policies in the USSR.

A. Distribution of Consumers' Goods

1. Soviet Retail Trade Developments Since 1945.

The statistics in Tables 1 and 2 are estimates of State and Cooperative retail trade turnover in the Soviet trading system. While these estimates, especially in the later years, are too high, they do indicate total and per capita retail sales are considerably above the prewar level of 1940. This upward trend in the level of Soviet consumption is corroborated by other indices concerning the USSR.

During the period of World War II the Soviet government converted the consumer goods industry to war production and introduced a system of rationing. In the period from 1945 to the end of 1947 the increased holdings of currency in circulation caused prices to continue to rise despite rationing. While some steps were taken to reduce these inflationary pressures, Soviet policy in this period was repetitious of the early 1930 trade policies. Stabilization measures taken during this period followed three main lines. First, in April 1944, "commercial stores" were established to sell unrationed goods at prices below free market prices, but above State fixed prices. Secondly, goods not produced during the war were reintroduced at substantially higher prices. And, thirdly, prices of basic foodstuffs, such as bread,^{a/} were raised in price at the end of 1946.^{1/}

Even though this trade policy raised the general level of prices, its success was limited and did not eliminate excess purchasing power to a point where rationing could be abolished. This failure is reflected in part by not

^{a/} Bread price increases were justified by the poor harvest in 1946.

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Table 1

Soviet State and Cooperative Retail Trade - 1940, 1945-1952^{a/}

Year	State and Cooperative ^{b/}		Volume (1940=100)	Retail Prices ^{c/} (1940=100)
	Value (Billions current rubles)	Index (1940=100)		
1940	175.1	100.0	100.0	100.0
1945	193.9	110.7	55.5	199.5
1946	274.3	156.7	72.2	217.2
1947	335.6	191.7	85.5	226.8
1948	366.4	209.3	105.0	199.4
1949	397.2	226.8	128.7	176.2
1950	443.9	253.5	172.9	146.6
1951	486.2	277.7	201.8	137.6
1952	504.9	288.4	220.3	130.9
1955 (pro- jected)	567.9	324.2	293.2	110.9

^{a/} See Methodology for sources.

^{b/} 1940 given and 1945 and 1946 estimated from the following years -1947 -1955 estimated.

^{c/} Moscow prices.

Table 2

Value and Volume of Average Retail Sales of Soviet State and Cooperative Retail

Trade per Employed: 1940, 1945 -1955^{a/}

Year	State and Cooperative Retail Trade	Labor ^{2/} Force	Average Sales/Labor Force	Index of Average Sales per Employed	Index of Volume of Sales per Employed
	(in billions current rubles)	(in mill.)	(in rubles)	(1940=100)	1940=100)
1940	175.1	70.4	2487	100.0	100.0
1945	259.	N. A.	N. A.	N. A.	N. A.
1946	274.3	N. A.	N. A.	N. A.	N. A.
1947	335.6	84.2	3986	160.3	70.6
1948	366.4	85.4	4290	172.5	86.5
1949	397.2	86.4	4597	184.8	104.9
1950	443.9	87.2	5091	204.7	139.6
1951	486.2	88.2	5512	221.6	161.1
1952	504.9	88.8	5686	228.6	174.6
1955	567.9	91.0	6241	250.9	227.4

^{a/} See Methodology for sources.

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maintaining direct taxes and public borrowing at sufficiently high rates.^{a/}

Such a situation led to the "currency reform" of December 1947.^{3'}

This reform appears to have solved the problem of excess purchasing power. In addition, to exchanging old currency for the new currency - generally at a rate of 10 : 1, rationing and commercial stores were abolished, and consumers' goods retail prices were reduced.

Table 1 clearly shows that the 1945 volume of State and Cooperative retail trade was about 55 percent of 1940, and that by the end of 1947 had reached 85 percent of 1940. This increase of the volume of trade resulted from the considerable increase in territory under Soviet control and the imports of consumers' goods (Lend-Lease in 1944-45, UNRR in 1946, and imports from its satellites since 1945).

Since the end of 1947 each year has been characterized by retail price reductions of consumers' goods resulting in "savings" to the population.^{b/} The following table lists the announced date of the price decrees and the "savings" realized by the population in the various Soviet markets.^{c/}

It is not known to what extent Soviet retail trade plans are fulfilled, since the Soviet government usually announces only the percentage increase of retail turnover. However one set of calculations for estimating State and Cooperative retail trade does permit an assessment of plan fulfillment for 1948 through 1952; 1945, 1946, and 1947 trade plan fulfillments are not known since the method of

^{a/} See section on "Internal Finances."

^{b/} It is assumed "savings" = the value of trade before the price cuts - the value of trade after the price cuts.

^{c/} See next page.

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Table 3

Planned Savings to the Population from Price Reductions in all Markets in the USSR. ^{1/} (in Billions Rubles)

Year	Date of Decree Reducing Consumers' Goods Prices	Planned Savings to the Population from Price Reductions in Various Retail Trade Markets.				
		From State Markets	From State & Coop. Markets	From Coop. & Kolkhoz Markets	From Kolkhoz Market	Total From All Markets
1947 ^{2/}	14 December	-	-	-	-	-
1948	10 April	57.0	N. A.	29.0	N. A.	86.0
1949	1 March	48.0	N. A.	23.0	N. A.	71.0
1950	1 March	80.0	N. A.	30.0	N. A.	110.0
1951	1 March	N. A.	27.5	N. A.	7.0	34.5
1952	1 April	N. A.	23.0	N. A.	5.0	28.0
1953	1 April	N. A.	46.0	N. A.	7.0	53.0

estimating retail trade in these years was different than the method of estimating retail trade from 1948 through 1952. These estimates which are made in Table 4 indicate that retail trade plans were realized only in 1950 and that the only serious shortfall from planned levels occurred in 1948. While some of the reason for failing to realize retail trade plans was due to the unwillingness of the population to accept shoddy or below quality goods, the restrictive monetary policy followed by the government after the currency reform caused some of the trade plan shortfalls, especially in 1948. It will be noticed from the following table, however, that except for 1948, the retail trade plan never fell below 95 percent, a trend which will probably continue unless the Soviet Union becomes involved in a major emergency at some future date.

2. It is assumed that there were no savings to the population in 1947 and that both the 1947 and 1948 price decrees resulted in savings to the population of 86 billion rubles.
 * Deposit savings and cash boards were probably used to supplement purchases out of current incomes.

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Table 4.

Indicated Fulfillment of Soviet State and Cooperative Retail Trade

Plan, 1948-1952 ^{5/}

Year	Percent Fulfillment of Retail Trade Plan
1948	88.4
1949	97.1
1950	100.9
1951	97.1
1952	95.7

2. Retail Prices of Consumers' Goods.

Price information is lacking for detailed analysis of major policy changes and their implications. However annual average estimates of retail prices are given in Table 1, and Table 3 gives the dates of the annual retail price reduction in the USSR. The following table is an estimate of the magnitude of these price cuts adjusted to an annual basis.

Table 5.

USSR Average of Retail Price Reductions of Consumers' Goods, 1948-1953. ^{6/}

Year	Average of Price Reductions
1948	12
1949	12
1950	17
1951	6
1952	5
1953	10 (preliminary)

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This estimate of the average retail price reductions show that prices are less than half the level of prices in 1947. And, as wage scales have remained unchanged since 1946, it is indicated that there is a real increase in the purchasing power of the Soviet citizen. At the same time, however, the fact that consumers' goods prices are reduced shows that the State has again gained enough control of the production of consumers' goods to pursue a policy of gradually eliminating the free Kolkhoz market - a policy which was pursued in the mid-1930's when the proportion of Kolkhoz trade to total trade dropped from 18 percent in 1933 to 12.5 percent in 1937.^{1/} This is borne out by the fact that while the agricultural population is able to buy goods cheaper it also sells its goods at a cheaper price, resulting in reduced cash incomes. This becomes more apparent in Table 6 which shows that the prices of foodstuffs has fallen faster than the prices of manufactured goods, items of which bulk large in farmers' purchases. Table 6 also shows that 1953 prices are still well above the prewar level of 1937, and at the current rate of price reductions, it would take another decade of similar price reductions to reach the level of 1937.

Further implications indicate that price changes are influenced by the planners' preferences, by the increased availability of supplies, and of value both for foreign and for domestic propaganda. The variations of prices within the group indexes show the effectiveness of regulating sales. For example, the planners may make garments cheaper than textiles to encourage the buying of clothing rather than having the population making clothes at home so that the housewife is freed to be a member of the labor force (preferably the industrial

laborer). The 1953 reduction of vegetables and fruits are probably aimed

* As opposed to consumers' preferences.

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Table 6

Retail Price Indexes of Consumers' Goods Compared, 1948 and 1953^{8/}
(1937= 100)

Commodity Group	1948	1953
I. Foodstuffs, total	334	170
Grains and legumes	285	130
Meat and meat products	393	170
Fish	307	180
Sugar	365	260
Confectionery	244	160
Fats, including butter	309	150
Milk and milk products, excl. butter	280	190
Eggs	261	150
Fruits and vegetables, incl. potatoes	299	140
Salt	1,364	250
Tea and coffee	197	100
Alcoholic beverages	529	270
II. Manufactured consumers' goods, total	285	200
Textiles	322	240
Garments	220	150
Knitwear	375	250
Shoes	238	190
Haberdashery and notions	427	280
Soap, drugs, etc.	368	180
III. Housewares	282	180
Reading matter	227	220
Cultural and sports goods	299	160
Building materials	252	190
Kerosene and matches	451	240
Tobacco products	211	125

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at discouraging collective farmers from diverting too much time to their private gardens. This would also indicate a greater availability of these goods. And, at the same time these price cuts allow the Soviet government to hold up its system as a model before the world, in respect to the benefits received by the workers in the USSR.

3. Organizational and Conceptual Developments Since 1945.

The combining of the Ministry of Internal Trade and the Ministry of Foreign Trade into the Ministry of Internal and Foreign Trade in March 1953^{2/} was the largest single administrative change since 1945. This is an organizational change which probably will not affect the average citizen.

In 1946 Consumers' Cooperatives were permitted to reestablish trade in urban centers after a lapse of eleven years.^{10/} This move was made to supplement State retail trade, which was unable to supply the total needs of the urban population in the early postwar period. Although it has not been announced officially, it appears that the Consumers' Cooperatives have again been confined to the rural areas since 1949.^{11/}

Before the beginning of the Fifth Five Year Plan (probably 1950) the Central Statistical Administration issued new instructions broadening the Soviet concept of retail trade, and which for the first time introduced into retail trade accounting the following items:

1. The receipts of craftshops for the repair of goods for the population;
2. The receipts of craftshops for the making of clothing and footwear from material supplied by the customer;
3. The sales of agricultural products, cattle and poultry, direct from Sovkhoses and "auxiliary" enterprises; and,
4. The sales of houses and dachas.^{12/}

It is implied in this broadening of the retail trade concept, that the State is obtaining more direct control over minor economic activities which have increased in

volume, and that this control will be an aid in eliminating enterprises that are

still somewhat "capitalistic" if it is the desire of the Soviet authorities.

B. Production of Consumers' Goods.

1. Estimates of Consumers' Goods Production in the USSR.

Total production of consumers' goods is not available. According to Soviet classification, total consumers' production comes under the headings, "Industrial (Manufactured) Consumers' Goods Production" and "Agricultural Production." Table 7 gives several estimates of the level of consumers' goods production and the percent of total industrial production of industrial consumers' goods production. Other sources provide estimates in absolute terms for individual items and groups of items of Soviet consumers' goods production.

Despite extreme shortages of consumers' goods the Soviet government continued to emphasize industrialization of the capital goods industries during the period of the first postwar Five Year Plan. While it is true that industrial consumers' goods production has increased each year, it will be noticed in Table 7, that after the initial stages of recovery, stress is still placed on heavy industry and that consumers' goods production in proportion to total industrial production has declined each year since the end of 1947. As has been

(other factors, such as, demand and quality remaining constant) pointed out above,^A the price index clearly implies that more foodstuffs have been made available than manufactured consumers' goods in 1953 as compared to 1948. Another indicator that Soviet policy has not changed from favoring heavy industry is that investments are made primarily in heavy industries, rather than in consumers' goods industries and it is noticeable that gains in the consumer field have been modest compared to total production.

Table 7

Estimates of USSR Consumers' Goods Production Compared and an Estimate of Industrial

Consumers' Goods Production As a Percent of Total Industrial Production, 1940, 1945

through 1952, 1955 Planned, and 1957 Projected.

Year	^{a/} Bergson Estimates		^{b/} Orr Estimates		^{c/} Malenkov	^{d/} Estimate of the
	Indust. Consumers' Goods Prod.	Agric. Prod.	Indus. Cons. Goods Prod.	Agric. Prod.	Index of Industrial Consumers' Goods Production	Percent of Industrial Consumers' Goods of Total Industrial Production
	(in billions of 1926/27 rubles)		(in percentages)		(in percentages)	(in percentages)
1940	54	23	115	114	100	38
1945	31	N. A.	58	85	59	25
1946	N. A.	N. A.	73	91	77	35
1947	N. A.	N. A.	84	96	82	34
1948	N. A.	N. A.	100	100	99	33
1949	N. A.	N. A.	115	105	107	29
1950	68	29	126	110	123	28
1951	N. A.	N. A.	136	116	143	28
1952	N. A.	N. A.	N.A.	N.A.	156	27
Planned 1955	N. A.	N. A.	186 A.	151 A.	^{e/} 166	^{e/} 22
Projected 1957	N. A.	N. A.	203	152	N. A.	N. A.

^{a/} All figures this source are actual except 1950 which is planned. 14/

^{b/} All figures this source actual except 1957 which is projected. 15/

^{c/} Official statement at the 19th Party Congress. 16/

^{d/} See methodology.

^{e/} Extension of Malenkov data according to plan; see methodology.

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According to Bergson, ^{17/} the planned production of industrial and agricultural goods on a per capita basis were only about 20 percent above 1940. ^{a/}

The latest Five Year Plan proposes increases both of the distribution and of the production of consumers goods. ^{18/} Until the April 1953 price decree, sales statistics indicated that the tempo of increased distribution had slowed down somewhat in 1951 and 1952 as compared to 1950. But since the latest price decree may approximate the magnitude of the reduction reached in 1950, the volume of 1953 retail sales should increase. Thus the production of consumers' goods in 1953 would also have to be increased.

^{a/} It should also be noted that other factors, such as boundary changes, overstate the 1950 levels.

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2. Organizational Developments in Consumers' Goods Production Since 1945.

For consumers' goods production organizational developments, other than those already mentioned above, see the other RR contributions submitted 25X1

25X1

C. Standard of Living.

It has been indicated above that the standard of living in the USSR has increased since the period beginning in 1945. Available data are inadequate to permit construction of an over-all index of the standard of living. However, the trend of prices illustrated in Table 1, indicates an upward trend in the Soviet standard of living. This index represents prices of goods sold in retail trade, it is probable that other services and benefits received by the Soviet citizen have also tended to rise. Other payments out of income received account for as much as 30 percent of total income.^{19/} This 30 percent of income accounts for housing, taxes, fees, deductions, contributions and other expenditures. At the same time, some State services are rendered free, or at reduced rates, such as medical treatment, recreational facilities, rest home visits, etc. To what extent these services and goods balance is not known.

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D. Housing.1. Summary.

A brief survey of housing in the USSR shows that housing is still an item of critical shortage in the Soviet Union. On the other hand, it is indicated that there may be a slight increase in the availability of living space by the end of 1955 both in absolute and per capita terms. Even though there is now a base for stepping up dwelling construction to a marked extent the current plan does not provide for the level of housing conditions that existed in 1926, when per capita housing space was roughly 6 square meters per person.^{20/}

In the existing stringent, though improving, housing situation, the State has controlled distribution of available housing resources. The relationship of work and allocation of housing requirements to key workers, makes housing one of the instruments for increasing the productivity of labor and building up permanent staffs in industry.

2. Urban Housing.

Urban housing construction under the first postwar Five Year Plan amounted to more than total cumulative urban housing in the USSR from 1928 until the outbreak of World War II, thus more than compensating for the war time destruction of dwelling units. At the very most it is estimated that by the end of 1955 there will be only 4.4 square meters of living space per urban dweller. Since the estimate does not include allowances for deterioration of existing units, or the reconstruction and rehabilitation of old and destroyed units included in the official figures, it is more than likely that urban housing is below or about the same as the 1940 estimate of 3.7 square meters per urban dweller.

* See Table 8.

** The 1947 official terms of sanitary housing rooms calls for about 9 square meters of dwelling space per person based on 2002/09/04 1049A000800140007-1

*** Living space does not include the construction of space for hallways and toilet and kitchen facilities.

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Table 8

Housing in the USSR: Planned and actual; Public and Private Houses, and Square

Meters of Living Space per Urban Population, 1938-1955. ^{22/}

YEAR		Added Living Space ^{a/}			Individual ^{b/}	Indicated Square Meters of Living Space per Urban Population ^{c/} (cumulative)
		Total	Public	Private	Houses	
		(in mill. square meters)			(in mill. units cumulative)	
1938-1942	Plan	45.0	35.0	10.0	N. A.	N. A.
	Actual	30.0	N.A.	N.A.	N. A.	N. A.
1940	Actual	7.0	N.A.	N.A.	1.26	3.7
1945	Actual	N.A.	N.A.	N. A.	N.A.	2.5
1946	Plan	9.8	N.A.	N. A.	N.A.	N.A.
	Actual	6.0	6.0	N. A.	N.A.	N.A.
1947	Plan	13.8	12.8	1.0	N.A.	N.A.
	Actual	13.0	9.0	4.0	N.A.	N.A.
1948	Plan	N.A.	N.A.	N. A.	N.A.	N.A.
	Actual	32.0	30.0	2.0	1.6	N.A.
1949	Plan	N.A.	N.A.	N. A.	N.A.	N.A.
	Actual	22.0	N.A.	N. A.	2.3	N.A.
1950	Plan	N.A.	N.A.	N. A.	N.A.	N.A.
	Actual	28.0	N.A.	N. A.	2.7	3.6
1946-1950	Plan	84.4	72.4	12.0	3.4	N.A.
	Actual	101.0	86.4	13.8	2.7	N.A.
1951	Plan	N.A.	N.A.	N. A.	N.A.	N.A.
	Actual	26.0	N.A.	N. A.	3.1	N.A.
1952	Plan	N.A.	N.A.	N.A.	N.A.	N.A.
	Actual	28.0	N.A.	N.A.	N.A.	4.1
1951-1955	Plan	105.0	N.A.	N.A.	N.A.	4.4

^{a/} Space for hallways and toilet and kitchen facilities are not included, but the reconstruction and rehabilitation of existing units is included.

^{b/} Rural house built and reconstructed since 1945.

^{c/} Total cumulative added living space is divided by estimated urban population to obtain square meters of living space per urban population.

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In Table 8 it is apparent that the Fourth Five Year Plan was exceeded by 18-20 percent, and that the housing construction industry demonstrated that it is capable of providing up to 30 million square meters of dwelling space annually. * On the basis of existing housing norms the present rate of housing construction will accommodate between 2 to 3.5 million persons per annum, which is about the estimated growth of the urban population. Thus, contrary to official announcements, it is indicated that the rate of per capita urban housing facilities to be constructed will remain constant over the next few years.

3. Rural Housing.

Until the period after World War II, rural housing in the USSR had never been under direct control of the State and represented the personal property of its occupiers. However, in view of the magnitude of rehabilitation and new construction, government assistance was indispensable. Under the Fourth Five Year Plan, the total volume of reconstruction and the building of new dwellings in rural areas, at the individual's expense and with some government loans, was fixed at 3,400,000 houses (including 2,240,000 in the formerly occupied areas). By the end of 1951 the number of private houses reached 3,100,000 (cumulative). It will be noticed in Table 8 that private housing activity did not increase very noticeably until after the special legislation passed on 26 August 1948, concerning the rights of citizens to purchase and build individual homes. ^{23/} During the period of liberation up to the end of 1948 it is estimated that the destroyed rural dwellings in the liberated districts had, by and large, been replaced, and the entire population had been transferred from ^{24/} temporary to permanent dwellings.

* It is assumed that by the end of 1948 war destroyed urban housing had been completely reconstructed or rehabilitated. However, it should be noted that the 30 million square meters figure is based on 1950 and includes rehabilitation of deteriorated units.

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4. Expansion of the Building Materials Industry.

In order to sustain the rehousing program, the Fourth Five Year Plan contained appropriate provisions for the rehabilitation and the expansion of the building materials industry. Altogether the first postwar Five Year Plan for the expansion of building materials was fulfilled to the extent of 97 percent.

Production of the principal types of building materials are listed below.

Table 9

Production of Building Materials (in mill. of units)^{25/}

Year	Soft Roofing (rolls)	Felled Timber (total) (cubic meters)	Sawn Timber (cubic meters)	Cement (tons)	Bricks (total output) (thous.)	Slate (sheets)	Window Glass (sq. meters)
1940	5	233	28.9	5.8	7.2	205	42
1945	N. A.	135	N. A.	1.9	1.6	70	24
1946	4.8	139	N. A.	3.5	2.5	140	40
1947	6.1	175	N. A.	4.9	3.3	200	47
1948	7.3	212	N. A.	6.7	5.2	270	57
1949	9.0	233	N. A.	8.4	6.9	370	72
1950	10.5	244	39.0 ^{26/}	10.6	8.6	440	79

5. Allocation to Different Social Groups.

In the Soviet Union numerous ways have been perfected to attract specialists to work for the regime and to divert labor to the favored industries. According to law, specialists have the right to extra dwelling space and labor is induced to accept work where housing is made available by the individual factory or by one of the State industries. In the latter case, Soviet "help wanted ads" point out that housing is a very valuable inducement to recruiting new workers and

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and employees. Discrimination in housing allocation by type of work is particularly noticeable in case of coal miners who received 7 million square meters^{26/} of new dwelling space in the period from the end of 1947 to August 1952 - this amounts to about 5 percent of total State housing for less than 1 percent of the urban population.

* See Table 10.

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Table 10

Some 1953 Soviet Help Wanted Ads: Type of Work, Employer, Place Advertising,
and Accommodations Provided. ^{27/}

Type of work	Employer	Place Advertising	Accommodations Provided	
			Single	Married
Skilled & unskilled	Ministries of Forestry, Coal, & Construction	Sunny Oblast RSFSR	Space with bed and other facilities	
Laborers & loaders	Fishermen's Consumers Union & the Ministries of Forestry & Coal	Primorski Krai, RSFSR	Dormitory	None
			Space with bed	
Skilled & unskilled	Ministry of Labor Reserves for the Ministries of Forestry and Coal and Trusts of North Forest Transport	Tambov Oblast, RSFSR	Boarding House	Apartments
Construction workers	Ministries of Constr., Machine Building & Forestry	Kurgan Oblast, RSFSR	Dormitories	Private rooms or housing made available on long term loans
Skilled & unskilled	Ministries of Metallurgy, Maritime Fleet and River Trans., Agric. & Procurement, Constr., Coal, Oil, Light, and Food.	Moldovia	Hostel	Housing
Unskilled male & female constr. workers	Ministry of Labor Reserves	Chkalov, RSFSR	Space with bed	Flats
Skilled & unskilled	Ministry of Forestry, & Machine Building	RSFSR	Boarding house	Apartments
Skilled & unskilled	Stavropol Forestry Station	Stavropol Krai, RSFSR	Space with bedding	
Painters, joiners & unskilled	Construction Trust	Kirovgrad Oblast, Ukraine	Hotel	N. A.
Senior accountants leading section supervisors, etc.	N. A.	Primorski Krai, RSFSR	Dormitory	
Locksmith trainees *	Industrial Training Combine # 1 for deaf mutes	Voroshilovgrad Ukraine	Free Communal dwellings	N. A.

* 13 May 1953.

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Table 10 (Continued)

Some 1953 Soviet Help Wanted Ads: Type of Work, Employer, Place Advertising
and Accommodations Provided. ^{27/}

Type of work	Employer	Place Advertising	Accommodations Provided	
			Single	Married
Locksmiths, * technicians, carpenters joiners, plasterers, and building superintendents	N. A.	Primorski Krai, RSFSR	Flats	
Senior economists *	Lesosavodsk and Artem Torgi	Primorski Krai, RSFSR	Apartments	
Senior accountant, female typists, construction engineer, warehouse help, and loaders	N. A.	Primorski Krai, RSFSR	Dormitory	N. A.

* 13 May 1953

** 20 May 1953

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E. Monetary Policies.1. Summary.

Since the monetary reform of December 1947, the Soviet government has apparently controlled inflationary pressures which result from emphasizing rapid industrialization. Despite Soviet theoreticians claims that money is unique in a collectivist society, the fact is that exchange is made by the use of money. As long as the wage fund is not equated with the availability of consumers' goods an inflationary gap is created in the form of savings and cash holdings. The 1947 currency reform was designed to eliminate this gap which had accumulated during the war and the immediate postwar period. While maintaining the purposes of this currency reform, current incomes have apparently remained high and the prices of consumers' goods have been reduced each year indicating that a larger volume of consumers' goods has been made available. In terms of foreign currencies the ruble was revalued upward in 1950. This had no effect on the domestic economy, and has, up to the present time, had only propaganda value.

2. Money

During the war and until December 1947 the Soviet government did not make full use of the means available to combat inflation. Theoretically the Soviet planners could have controlled inflation by changing taxation rates (particularly the turnover tax rate), restricting industrial short credits, holding wages, etc.; however, like other governments, with the same problems during the same period the Soviets submitted to inflationary pressures by permitting incomes and prices to spiral.

* Even within the Soviet orbit the ruble is used only as a unit of account.

** Since the population's hoard of cash and savings had increased during and after the war, any increase in tax rates would have had to be aimed at forcing the people to divest themselves of their accumulated assets.

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The only attempt to reduce the inflationary strains on the economy before December 1947 was the decree of 16 September 1946, which increased the prices of national goods sharply, generally reduced ration allowances, reclassified downward the ration status of certain groups, but increased wages.^{28/} This action paralleled the decree that terminated rationing and the multiple price systems of 1928-1935. More drastic steps were not taken at this time due to the poor harvest in 1946.

Rather than let prices seek their own level or establish a higher level of prices and wages, the Soviet government on 14 December 1947 (effective 16 December) reduced^{29/} excess purchasing power and reduced currency in circulation by an estimated 90 percent. If prices had been left to seek their own level, or had prices and wages been adjusted upward, cash holdings would have been left untouched and the peasant would have been left in a relatively advantageous position.^{*} Moreover, the cost structure and tax rates (especially the turnover tax rate) would have had to be changed.

Table 11

Estimate of Soviet Currency Reduction by Reform of December 1947. ^{30/} (in Billions of 'old' and 'new' rubles)			
	<u>Beginning December 1947</u> (old rubles)	<u>Cancelled by Dec. Decree</u> (Billions of rubles)	<u>January 1948</u> (new rubles)
Note circulation	420	378	42
State loans	150	100	50
Savings accounts	10	2	8
Total	580	480	100

a. All figures rounded.

* An adjustment in prices and wages reducing the purchasing power of excess money in circulation and placing currently earned incomes at a decided advantage would not have affected the relative distribution of purchasing power between the different groups of the population; i.e., the peasants and other cash holders would have remained at a relative advantage compared to the industrial workers.

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Officially it was admitted that there was excess currency in circulation, and that there had been a decline in consumers' goods production. Since current money incomes of the Soviet citizen remained constant and prices were reduced, it is concluded that large volumes of consumers' goods were made available to the public. At the same time, however, the main feature of this decree was aimed at reducing the cash hoards of speculators (primarily farmers, who had been selling food at very high prices).

Table 12.

Estimate of Currency Circulation in the USSR,
1940 and 1945 to January 1948. ³¹

<u>End of Year</u>	<u>Notes in Circulation (Bill. Rubles)</u>
1940	85
1945	340
1946	385
1947	420
1948 (January)	42

The price cuts and high incomes imply that efficiency and productivity have increased even in the field of consumers' goods.

3. Savings.

Soviet policy has always aimed at encouraging the people to save. But since the Soviet citizen has little fear of unemployment and has at least minimal security if covered by the widespread system of government pensions and aids to disabled workers, there is little motivation for personal savings.

The volume of deposits has increased each year even after taking into account the reduction of savings resulting from the currency reform in December 1947. *

* See Table 13.

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Thus official policy was clearly designed more to wipe out cash hoards than to reduce saving bank deposits. According to the December 1947 currency decree, savings accounts in government banks were converted in the following manner: ^{32/}

<u>Size of Ruble Accounts</u>	<u>Old Ruble</u>	<u>New Ruble</u>
up to 3,000	1	1
over 3,000 up to 10,000	3	2
over 10,000 and up	2	1

Table 13

Savings Deposits in USSR Government Banks: Selected Years (Bill. rubles) ^{33/}

<u>Year</u>	<u>Savings</u>
end-1940	7.3
mid-1941	6.8
Jan-1946	9.0
mid-1947	13.0
Jan-1948	8.0
mid-1950	17.0
beg-1951	18.5

4. The Gold Ruble.

The 1947 currency reform did not call for a change in the foreign exchange value of the ruble. According to unilateral declaration of the Soviet Government established the value of the ruble during the period from 1937 to 1950 at 5.3 rubles equal to one US dollar. By the decree of 28 February 1950 the ruble was placed on a gold base equal to .222168 grams of pure gold, or 4 rubles equalled US \$. ^{34/}

Officially it was claimed that Soviet retail price reductions and the devaluation of other national currencies had increased the value of the ruble. This statement ignores the fact that the ruble was overvalued in the first place. However

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this move was probable of great propaganda value both at home and abroad. In its relations with other Communist countries the ruble has attained the distinction of an international currency. * Other reasons for this move of placing the ruble on the gold standard remain speculative, but, in any case, this step has little or no influence on Soviet Union-Western financial relations.

* Even though Communist countries carry on foreign trade in terms of the ruble, the ruble remains only a unit of account since pricing is based on world market prices and the goods exchanges are made on a direct barter basis.

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F. Fiscal Policies.1. Summary.

Available budgetary data reveal that the USSR has been able to maintain an expanding "guns and butter" economy in the postwar period. This trend has been maintained every year. The Soviet Union outlays for industrialization and national defense accounted for 62 percent of total 1951 expenditures. On the revenue side of the budget income from turnover taxes^{*} (sales taxes) have increased each year except for 1950 despite the annual retail price reductions. During the period from 1947 to the end of 1951 turnover taxes have dropped from 60 percent to 50 percent of total State income and from 70 percent to 50 percent of estimated State and Cooperative retail trade. This decline in the significance of turnover taxes indicates an increased consumption of consumers' goods, since consumers' goods prices have been reduced annually and the value of retail trade has increased each year.

Since 1947 both wholesale and retail prices have been reduced and there has been no evidence of major changes in tax rates in the last few years, the high level of profit taxes and the year to year increases in the level of personal taxes (even in 1950) indicate that the material welfare of the population is better, or at least no worse. In such a situation a decrease in the profit revenues level would reflect a drop in production and a decline in personal taxes would mean that total income had fallen off.

Assuming no compensating increases in tax rates, or increases in prices, the relatively small amount of the 1953 State Loan portends a further increase in the availability of consumers' goods. In the past these loans have served the purpose of "sopping up" the excess currency in the hands of the population.

* Turnover taxes are computed as varying percentages of retail prices.

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2. The Soviet Budget.

The Soviet budget summarizes the results of the most important sectors of the economy in the USSR in terms of rubles. As a comprehensive national budget it reflects in financial terms the distribution of national resources as projected in the various Five Year Plans.

a. Expenditures. *

There are no detailed data available on Soviet budgetary expenditures.

However, the bulk of these expenditures come under the categories, "National Economy"

and "Defense". ** Diversion of a large percentage of resources to investment

("National Economy") and national defense outlays necessitates a heavy tax burden

on the population if inflationary consequences are to be avoided. Expenditures for

the "National Economy" by the end of 1951 have more than doubled in monetary value

over 1945 and since 1947 have accounted for 36-40 percent of total State

expenditures. At the same time outlays for national defense as planned in 1952 are

approaching the outlays made in this category in 1945, the last year of World War II.

These expenditures tended to decrease as a proportion to total budgetary expenditures

each year from 1945 until the end of 1948, and since then have shown a slow but steady

increase in proportion to total expenditures each year rising from 18.1 percent in

1948 to 24 percent of 1952 planned expenditures.

b. Revenues.

Here again there is no detailed breakdown, but this side of the budget

reveals yields from State revenues have increased each year in the postwar period

except 1950 when total receipts dropped 3.4 percent below those of 1949. The

* See Table 14.

** Other expenditures account for relatively small proportions of total governmental outlays.

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Table 14
Soviet Budgetary Expenditures, 1940 and 1945-1952²⁵

	<u>1940</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u> Plan
<u>In Billions of Rubles</u>									
National Economy	58.3	74.4	95.7	132.7	147.5	164.4	153.7	179.4	180.4
Social and Cultural	40.9	62.7	80.4	106.5	105.6	116.0	116.8	118.9	124.8
Defense	56.7	128.2	72.6	66.4	66.8	79.2	82.9	96.4 ^{a/}	113.8
Administration	6.8	9.2	11.6	13.0	13.1	15.5	13.8	14.3 ^{b/}	14.4
Debt Service and other ^{g/}	11.6	24.0	43.8	42.6	35.8	37.2	41.9	32.3	43.5
Total	174.3	298.6	304.1	361.2	368.8	412.3	412.7	441.3	476.9
Percent increase over previous year	11.4	11.4	1.8	18.7	2.1	11.8	0.1	10.6	10.8
	<u>1940</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u> Plan
<u>In Percent of Total Expenditures</u>									
National Economy	33.4	24.9	31.5	36.7	40.0	39.8	38.1	40.7	37.8
Social and Cultural	23.5	21.0	26.4	29.5	28.7	28.2	28.3	26.9	26.2
Defense	32.5	42.9	23.9	18.4	18.1	19.2	20.1	21.9	23.9
Administration	3.9	3.1	3.8	4.2	3.5	3.7	3.3	3.2	3.0
Debt Service and Other	6.6	8.0	14.4	11.8	9.7	9.1	10.2	7.3	9.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ Planned

b/ Planned

g/ After 1940 includes appropriations to the Ministry of Security and outlays for social insurance, communal services other than health and education, and outlays on capital account realized from capital transactions with the banking system.

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Table 15

Soviet Budgetary Revenues, 1940 and 1945-1952

	<u>1940</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u> Plan
<u>In Billions of Rubles</u>									
Turnover tax	105.9	123.1	191.0	239.9	274.4	245.5	236.1	247.8	260.0
Profit taxes	21.7	16.9	16.2	22.3	26.5	42.2	40.4	47.8	61.8
Personal taxes	9.4	39.8	22.7	28.0	33.2	33.7	35.6	43.9	47.4
Loans	11.5	29.0	20.7	25.7	23.9	27.6	31.6	36.8	42.5
Social Insurance and other a/	31.7	93.2	72.1	69.3	77.4	88.0	79.0	91.7	97.1
Total	180.2	302.0	322.7	385.2	408.4	437.0	422.1	468.0	508.0
Percent increase over previous year	11.6	11.2	10.7	11.9	10.6	10.7	- 3.4	11.1	10.9
	<u>1940</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u> Plan
<u>In Percent of Total Revenues</u>									
Turnover tax	58.8	59.2	59.2	62.3	60.6	56.2	55.9	52.9	51.1
Profit taxes	12.0	5.6	5.0	5.8	6.5	9.7	9.5	10.2	12.2
Personal taxes	5.2	13.2	7.0	7.3	8.1	7.7	8.4	9.4	9.3
Loans	6.4	9.6	6.4	6.7	5.9	6.1	7.4	7.9	8.3
Social Insurance and other	17.6	30.8	22.3	18.0	19.0	20.2	18.2	19.6	19.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a/ "Other" includes income taxes and other taxes on State and Cooperative enterprises and organizations.
After 1940 this category includes revenues from Machine Tractor Stations, taxes on cooperatives, local taxes, fees, forestry taxes, and non-tax revenues.

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expansion and shifts in proportion to the total of the component revenue categories is shown in Table 15.

(1) Turnover Tax.

Turnover tax, the chief source of government revenue, reveals Soviet policy to use indirect rather than direct taxation. However, since 1947 this source of State income has dropped in significance both in proportion to total revenues and total estimated State and Cooperative retail trade.

Table 16

Turnover Tax as a Percent of Estimated State and Cooperative
Retail Trade, 1940 and 1945-1952 ^{a/}

<u>Year</u>	<u>Turnover Tax as a Percent of Retail Trade</u>
1940	60
1945	63
1946	70
1947	71
1948	75
1949	62
1950	53
1951	51
1952	52

a/ Minor discrepancies are due to rounding.

In 1947 the amount of turnover tax accounted for 62 percent to total State revenues and according to the 1952 planned budget this source of revenue had declined to 51 percent of total State revenues. As a percent of estimated State and Cooperative retail trade turnover taxes have declined from 71 percent in 1947 to 51 percent of the 1952 planned revenues. This drop in the significance of the proportion of the turnover tax to total State revenues and to total State and Cooperative retail trade

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indicates the output of the consumers' goods for sale to the public have increased since consumers' goods prices have been reduced annually and the value of retail trade has increased each year.

every year since 1947. However, it should be noted that the planned goals for the

turnover tax revenues have only been realized and exceeded in the years 1945 and

1951 - in 1945 the yield of State receipts from the turnover tax exceeded

expectations by 5 billion rubles, and in 1951, by 1.9 billion rubles. *

Table 17

Planned and Actual Turnover Taxes, 1940 and 1945-1952^{37/}

(in Billions of rubles)

<u>Year</u>	<u>Planned</u>	<u>Actual</u>
1940	N. A.	105.9
1945	118.1	123.1
1946	200.8	191.0
1947	254.7	239.9
1948	280.1	247.4
1949	262.2	245.5
1950	238.4	236.1
1951	244.6	247.8
1952	260.0	N. A.

Thus while the State has been able to meet its requirements for financing and seeing

to it that its program for expanding the capital goods and military industries has

been fulfilled, the consumers' goods industries have generally been allowed to fall

behind planned goals. This also indicates that the planned goals for retail trade

turnover have not been reached due to a shortfall in consumers' goods production. **

Other major developments affecting the level of the turnover tax has been the

abolition of this tax on producers' goods (except petroleum products) on 1 January 1949.^{38/}

* If other factors, such as tax rates and prices have remained unchanged, it is assumed that the overfulfillment of the turnover tax plan indicates a possible increase in the production of consumers' goods over plan.

** Some of these shortfalls in retail trade plans are probably due, not only to a deficient price for the goods, but also to the mal-distribution and the populace's refusal to accept shoddy goods.

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(2) Profit Taxes.

Profit taxes are the next largest single source of Soviet revenues. These taxes are collected at varying rates of assessment on the profits of State enterprises. Profits taxes have risen from 16 billion rubles in 1947 to a planned 62 billion rubles in 1952, or from 5 percent of total revenues to 12 percent of total budget receipts. In the meantime profit taxes have declined from 73 percent of total industrial profits to 64 percent of total industrial profits in 1951.^{39/} However, the burden on the consumer has not been shifted since profits are part of the spread between costs and retail prices. On the other hand, since it has been Soviet policy to operate on low profit margins, a decrease in the level of profit taxes would reflect a drop in production.

(3) Personal Taxes.

The Soviet government has never emphasized a policy of direct taxation. Except for the year 1945, personal taxes increased in the postwar period both in amount and in proportion to total State revenues. In 1947 personal taxes amounted to 23 billion rubles, or 5 percent of total revenues; and according to the 1952 planned budget this source of revenue was expected to yield 47 billion rubles, or 9 percent of total budgetary income. The slight rise in the significance of personal taxes to total revenues does not indicate a change in the policy of the Soviet government. During this period there has been no evidence of a general increase in personal income tax rates on the population although the tax rates on agricultural families was increased July 1948.^{40/} While some of the increase in the total of personal taxes is explained by the yearly increments to the labor force,

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it appears that the level of Soviet personal incomes may have increased, or at least, have not declined (especially in view of the fact that tax rates wage scales have remained unchanged in most of the postwar period). Moreover as a result of the annual price reductions, Soviet personal incomes have increased in real value thus indicating a greater availability of consumer goods and services.

(h) State Loans.

Loans made to the State serve the dual purpose of supplementing State income sources and aid in "sopping up" excess disposable incomes arising from the heavy concentration upon non-consumption outlays of the budget - the latter having accounted for the bulk of Soviet budgetary expenditures. During June, 15.3 billion rubles ^{41/} were collected from the population in three days on the 1953 State Loan. This amount is less than half the 1952 State Loan and lower than all postwar State Loans. Assuming that the Soviet government does not take steps to increase tax rates, or to raise prices, or to decrease wages, or a combination of these measures, the small size of this State Loan indicates that there will be more consumers' goods available in 1953 than in any of the postwar years after World War II.

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Appendix A

Gaps in Intelligence.

There is a considerable lack of absolute data, and what data is available usually includes no detailed breakdowns. The use of available data is often questionable since accounting methods are sometimes changed and the data is not specifically labelled. Thus conclusions are tenuous until more information is made available.

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Appendix B.

METHODOLOGY.

Due to time limitation, the sections in this paper are a compilation of analyses made by other sources on the subjects covered. Methods of arriving at the conclusions (or indications) in this paper are available in those sources. However, the following sections will explain how some of these analyses were brought up-to-date, how additions were made to information already compiled, and in the case of housing, how scattered information was newly compiled. Methodology will not be given for those tables which are combinations of preceding tables, or those tables which were drawn up by other sources.

1. Distribution of Consumers' Goods.

Except for the years 1945 and 1946 this section and Tables 1 through 4 are based on Project 18.1.4, Organization and Turnover of Soviet Retail Trade, 1948-1952, in process of publication, and IM 374, New Soviet Decree Reducing Prices of Consumers' Goods, 18 June 1953. Methodology and assumptions made will be found in the appendices of these two papers.

The estimates for 1945 and 1946 were estimated back from the year 1947 by the same method used in Soviet Retail Trade and Prices, 1940-1951.^{42/} First, the index of the volume of trade for 1946 and 1947, based on 1945 equals 130 and 1947 equals 152. Thus in 1946, volume was 14.5 percent smaller than in 1947. The adjustment for the increase in retail prices was 4.4 percent, since turnover tax revenue would have been 14 billion rubles less in 1947 than they actually were if prices remained constant. Thus the 1947 retail trade figure of 335.6 billion

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rubles multiplied by 14.5 percent (for volume adjustment) equals 48.7 billion rubles; then 335.6 billion rubles minus 48.7 billion rubles equals 286.9 billion rubles; and 286.9 billion rubles multiplied by 4.4 percent (for price adjustment) equals 12.6 billion rubles; and 286.9 billion rubles minus 12.6 billion rubles equals 274.3 billion rubles, or the current ruble value of 1946 retail trade. With the current value and the volume of retail trade now obtained the price index is available.

Retail trade current value and the price index for 1945 was obtained by the same method described above with the following figures: volume was 2.3 percent less than in 1946 and the price difference was 8.85 percent.

2. Retail Prices of Consumers' Goods.

Table 5 is taken from Table 8 in Project 48.1.4 and Table 6, from OIR 4800.52, Soviet Affairs, "Soviet Retail Prices Still Above Prewar," April 1953 except for 1945 and 1946 the method of which was described above.

3. Production of Consumers' Goods.

The estimates in Table 7 are explained by the sources listed in the footnotes except for the "Estimate of the Percent of Industrial Consumers' Goods of Total Industrial Production," and the 1955 projection of the Malenkov data. This estimate was made by using Professor Bergson's data on the value of industrial production in 1926/27 prices based on the statements of Vozenesensky and the Pravda, 21 March 1946, figure that 1940 industrial production totalled 138 billion rubles of which capital goods industries represented 61 percent and consumers' goods industries 39 percent. This data was then carried out by using Malenkov's figures which

* The rest of this section refers to 1926/27 rubles only.

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resulted in the statistics listed in the last column of Table 7.

The 1955 projection of Malenkov's data was arrived at by using the planned increases over 1950 in an article by Koryagin, which stated that industrial production was expected to be 70 percent higher by the end of 1955 as compared to 1950.^{43/} This proposed 70 percent increases in total industrial production reflects an 80 percent increase in the capital goods industries. Thus, if 138 billion rubles was the total amount of industrial production in 1940 and 1950 increased 73 percent over 1940, total industrial production in 1950 was 239 billion rubles. Therefore if total industrial production has increased by 70 percent by the end of 1955 the total will amount to 407 billion rubles and an 80 percent increase in capital goods amounts to 312.8 billion rubles leaving a residual of 89.2 billion rubles of industrial consumers' goods, or 22 percent of total industrial production the end of 1955. However the same source stated that consumers' goods industrial production increased 60 percent over 1940 in 1950 and that by the end of 1955 production in this sector is expected to have increased by another 65 percent. This last statement results in consumers' goods production amounting to 141.7 billion rubles and added to the 80 percent increase in capital goods would amount to about 455 billion rubles. These last figures were not used since 455 billion rubles would represent a 90 percent increase in 1955 total industrial production over 1950.

The 1955 plan figure added to the column of the "Malenkov Index of Industrial Consumers' Goods Production" is obtained from the above calculation of 89.2 billion rubles divided by the 53.7 billion rubles in 1940.

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4. Housing.

In Table 8 no adjustment has been made for depreciation. The figures listed are official statements and include reconstructed and rehabilitated housings. Thus none of the figures in this table indicates the actual volume of housing in the Soviet Union.

The "Indicated Square Meters of Living Space per Urban Population" is taken from the estimated 1940 cumulative living space of 239 million square meters which was derived by adding 10 million square meters to the 1938 figures of 225 million square meters. From the 235 million square meters, 70 million square meters was deducted for wartime losses and destruction and to this was added 17.9 million square meters of housing which the government reconstructed or rehabilitated as territory was regained. This brings the cumulative figure up to May 1945 and is assumed to have remained at this level until the end of 1945. Then the announced increments of additional living space was added to the 1945 figure. These figures were then divided by the number of people considered as belonging to the urban population, supplied to The 1940 population was adjusted for territorial changes so that the housing data which was unadjusted for territorial changes would be comparable to the population data. The proportion of the urban population was then taken from the percentage figures of the census distributions of 1939 and 1947. The 1939 urban census distribution of 32.8 percent was applied to 1940 and the 1947 census figure of 38.9 was increased to 39 percent for 1950 and to 40 percent for 1955. ^{14/} These percentages were applied to the estimates of total population, which gave urban population. The estimate of cumulative added living

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space were then divided by the estimates of urban population which resulted in the number of square meters of living space per urban worker. Since proper adjustments could not be made these results are much too high.

5. Monetary and Fiscal Policies.

Methodology of these sections are in the sources quoted, or are self-apparent.

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X. Planning

The economic development of the USSR during the postwar period proceeded under two Five Year Plans - the Fourth Five Year Plan (1946-1950) and the Fifth Five Year Plan (1951-1955).

1. Fourth Five Year Plan:

The earliest postwar reference to quinquennial planning in the USSR is to be found in Stalin's pre-election speech on 9 February 1946. In that speech Stalin mentioned a new series of five year plans which the Communist Party of the Soviet Union was intending to undertake in order to build up Russia's heavy industry. Stalin warned that until this task is accomplished the USSR could not feel safe against another attack by its capitalist enemies. He reminded his listeners that he had been right when he had voiced a similar warning back in 1928 and had launched the country on the First Five Year Plan. At that time, he pointed out, "the Party knew that a war was looming, that the country could not be defended without heavy industry, that the development of heavy industry must be undertaken as soon as possible, that to be behind in this means to lose out." (Planovoye Khozyaystvo, No. 1, 1946, p.8)

The details of the Fourth Five Year Plan were first announced at the Congress of Soviets on 15 March 1946. The plan was to run from 1946 to 1950. It had two principal objectives: (a) To restore the Soviet economy to its prewar level and (b) to surpass that level in industrial and agricultural output.

The report of the State Planning Committee and the Central Statistical Administration on fulfillment of the Fourth Five Year Plan, which

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was published in April 1951, claimed that the targets for 1950 as set in 1946 were generally exceeded, particularly in gross industrial production where output was said to be 73 percent greater (by value at 1926-27 prices) than in 1940, although the target was only 45 percent greater.

2. The Fifth Five Year Plan:

For about 18 months after the completion of the Fourth Five Year Plan there were no indications that a new five year plan was in preparation. This gave rise to speculation that the Soviet government has abandoned quinquennial planning and that in the future annual plans will form the basic method of economic planning. However, on 20 August 1952, the Draft Directive for the Fifth Five Year Plan appeared in the Soviet newspapers. This draft was approved without any substantial change by the 19th Congress of the Communist Party on 10 October 1952.

It is important to distinguish between the directives of a plan and the plan itself. The former embody the basic economic decisions made by the top policy makers with reference to the over-all growth of industry, agriculture, transportation and trade; the relationship among military outlays, capital investment, and consumer's goods; and the geographical location of new industries. On the basis of these decisions, the State Planning Committee proceeds with the preparation of a number of general economic balances and of special balances for the various sectors of the economy, as well as for territorial units. These balances are used for the drafting of the Five Year Plan, which contain production targets for every branch of industry, agriculture, transportation and trade, and an elaborate allocation system.

It is possible that the Plan, as distinct from the Directives, will

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be made public during the forthcoming Congress of the Supreme Soviet which
is scheduled to meet in Moscow on 5 August 1953.

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